THE CHESAPEAKE AND DELAWARE CANAL

The entire project of linking together the North and the South by a system of intracoastal canals depends for its success upon the acquisition and improvement of this comparatively small canal in the most thickly settled portion of the Union. It has been recommended so often and its benefits so widely advertised by resolutions of boards of trade and waterways conventions that there are no two opinions among those who know the situation.

SPEECH

OF

HON. WILLARD SAULSBURY

OF DELAWARE

IN THE

SENATE OF THE UNITED STATES

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SPEECH

OF

HON. WILLARD SAULSBURY.

Mr. SAULSBURY. Mr. President, it has seemed to me that while we are all so much interested in matters relating to canals it might be well for us to familiarize ourselves somewhat with those canals in which we have a large interest which are nearer home. I have had the honor to introduce and have referred to the Committee on Commerce a proposed amendment to the river and harbor bill, which provides for the purchase by the Government of the United States of the present small canal between the Delaware and Chesapeake Bays and its enlargement to provide for the great commerce now existing there. It has been somewhat of a pleasure to me to go into the history of this canal, and I feel it my duty to the people who reside in this great section of the country on the eastern seaboard that I should lay before the Senate the facts which justify the Government of the United States in acquiring this canal, if necessary, by process of condemnation.

Mr. President, the great desirability of connecting the Delaware and Chesapeake Bays was recognized in Colonial times. The second survey for a canal in the American Colonies was made of a route between the Chesapeake Bay and the Delaware River in 1764 and a new survey for this proposed canal under the auspices of the American Philosophical Society was made in 1769. In 1799 a charter was secured for a company to dig the canal, and some work was done, I think, in 1804, but this was suspended, a resurvey made in 1822, the work of constructing the present canal actively begun in 1824, and on July 4, 1829, water was let into the canal, which, when constructed, was 13¾ miles in length, with a width at water line of 66 feet, at its bottom of 36 feet, and a depth of 10 feet. The canal had cost $2,250,000, and of this amount the United States Government had contributed $450,000, the State of Pennsylvania $100,000, the State of Maryland $50,000, and the State of Delaware $25,000, making a total of $625,000. The balance was obtained from citizens of these States.

CANAL GREAT TIMESAVER.

A mere glance at the map of the Delaware, Maryland, and the Virginia Peninsula and the location of the great cities of Philadelphia, of Wilmington, and of Baltimore will show how desirable this canal, less than 14 miles long, was for the purpose of trade and transportation. Railroads were yet to be constructed. The only method of travel between Baltimore and Philadelphia was by stage coach along the turnpikes or by water out and in the Delaware and Virginia Capes. The distance to Philadelphia from Baltimore by water was 420 miles. The route through the

canal reduced this to 112 miles, shortening the distance by 308 miles, and the dangers of ocean navigation were avoided.

The saving of time, even now, in the transportation of freight through this canal between Philadelphia or Wilmington and Baltimore is almost as great as it was in 1829, for freight delivered to the small steamers in Philadelphia at 5 o'clock in the afternoon is carried through the canal and landed at Baltimore at 7 o'clock the next morning—only 14 hours—while the average delivery of freight by the railroads between Philadelphia and Baltimore is something like 3 days. It seems strange that, with all our modern appliances and the boasted management of two of the great railroad systems of the East, we have not been able in 80 years to better much the means of freight transportation in one of the most thickly populated portions of the Union and that we have failed to this time to take advantage of the natural opportunities for traffic and the easy distribution of the necessities of life which lie just at our doors.

On the Delaware Bay and tributaries and on Chesapeake Bay and its tributaries we have a combined traffic, as shown by the report of the Chief of Engineers of the United States Army, exceeding 50,000,000 tons annually; and if to this the undocumented and unregistered tonnage is added, which includes the vast amount handled daily by thousands of local trading boats, the tonnage is estimated to exceed 100,000,000 tons; and this tonnage is almost equally divided between the two bays, the tonnage of Delaware Bay and River and tributaries for 1912, as I compile it from the Engineer's report, aggregating 26,267,335 short tons, while the tonnage on the Chesapeake Bay and tributaries, which I am not sure is as accurate as the other figures, and in some respects is possibly duplicated, amounts to 36,333,489 tons.

In 1904 (H. Rept. No. 2725, 58th Cong., 2d sess.) the combined tonnage of the two bays and tributaries was stated to be almost exactly 50,000,000 tons, and from a statement of the Department of Commerce, Bureau of Navigation, the registered tonnage, represented by 4,391 sailing vessels, steam vessels, and barges, was six hundred and ninety-two thousand and some hundred tons.

The population of the States to be immediately benefited by the canal is about one-sixth of the total population of the United States and estimated at 14,092,627 people.

A LONG-CONSIDERED PROJECT.

The project of an adequate canal connecting the waters of Delaware and Chesapeake Bays has been considered so long that there is a vast mass of official information readily available from which to obtain all information desired on the subject. In 1812, when the Madison administration projected a comprehensive system of internal and coastwise canals, both for commercial and defensive purposes, such canal was approved.

A committee appointed at the first session of the Fifty-seventh Congress reported that the Chesapeake & Delaware Canal, as built in 1829, was encouraged and completed largely because of the realization at that time of the great advantage it would have been during the War of 1812, when the English fleets ravaged the shores of Delaware and Chesapeake Bays and desiroyed this Capitol itself.

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UNTOLD VALUE IN TIME OF WAR.

Its adaptation for national defense has never been questioned, and this line is now practically assured against attack by foreign fleets because on the Delaware end two new forts have been constructed with modern guns commanding the entrance to the Delaware River below the eastern terminus of the canal, while its western end is protected by the defenses of the Chesapeake Bay.

In 1886 Col. Craighill, of the United States Engineer Corps, reported:

> No argument is necessary to show the great value in time of war with a maritime power of such an interior line of communication between the great Chesapeake and Delaware Bays and their tributary streams as this canal would be.

The Committee on Railways and Canals of the House in that year said:

> Its entire feasibility has been definitely determined by three Government surveys ordered by Congress.

And President Arthur, in forwarding the report of the Secretary of the Navy, invited the attention of Congress to his recommendations, in which the Secretary said:

> To secure the combined commercial and military advantages which these avenues for merchant and naval vessels would afford, the work should be immediately begun and deliberately and economically prosecuted, and not left to be done hastily and expensively in an emergency.

The committee of the House in 1886 recommended the appropriation of $1,000,000 to begin the work on this canal, and in its report quoted from the report of Capt. Turtle, made to the Forty-second Congress, second session, as follows:

> It will be doubted by no one that a deep-water connection between the two bays would be of vast importance in the contingency of war with a maritime nation. Such a connection would provide a means of concentrating the floating defenses of the two bays, and, besides, would render more secure the communication between the naval stations at Philadelphia, Norfolk, and Washington. Vessels defending ports have two offices to perform, the one being to assist in the direct defense, or to prevent capture or occupation by a hostile force, the other being the prevention or breaking up of the blockades.
>
> Without a canal a blockade at the Capes of the Delaware would close the port of Philadelphia, or the blockade at the Capes of Virginia would close the outward commerce of Baltimore and the other ports of the Chesapeake. With the canal built where communication would be secure, neither the ports of Philadelphia nor of Baltimore would be closed, unless an effectual blockade were established both at the Delaware and Virginia Capes. It may be assumed that if a war with one of the great naval powers should arise, and the mere appropriation of the money could provide such a chanuel of communicatiou between the bays, the amount would be at once provided without hesitation. That would, however, be too late.

Col. Craighill, in forwarding the report from which the above is quoted, said:

> The main objects of such a canal are supposed to be two—the greater facilitation of the defense of a part of the territory of the United States by the opening of an interior short line of communication between the great bays, Chesapeake and Delaware, and the shortening of a great route of foreign and coastwise commerce. Both of these objects seem to be of national importance.

In 1894 the President, under authority given by Congress, appointed a board, among the members of which were Brig. Gen. Casey, Col. Craighill, and Admiral Dewey, then a captain in the

Navy, and this board, having exhaustively considered the subject, reported:

> The most feasible route * * * is substantially located upon the line of the existing Chesapeake & Delaware Canal. In the judgment of the board, this route will be best adapted for national defense and will give the best facility to commerce.

The Committee on Railways and Canals of the House, in submitting its report, April 21, 1904, on House joint resolution 137, reported:

> The construction of this ship canal would certainly be the least expensive and most effective method of improving the defense of this locality.

And while treating of the possibility of a coalition of the great naval powers in an attack on the United States with a giant consolidated fleet, reviewed the occurrences of April, 1861, when the present shallow and narrow Chesapeake & Delaware Canal played an important part in the defense of Washington and aided military operations during the whole Civil War.

What occurred in April, 1861, when the railroad bridges north of Baltimore were burned and troops could not be thus sent to Washington, was related before the committee of the Senate recently investigating the value of this canal, and was known to the committee reporting in 1904. Light-draft vessels able to pass through the canal were seized in Philadelphia and along the Delaware River; they were sent through the canal to Perryville, Md.; from there troops were taken by boat to Annapolis, and thence Washington received reenforcements by rail, which possibly prevented its threatened capture by the Confederate forces. During the whole war the canal was utilized for military purposes and aided greatly in the prosecution of military operations. The committee on the commercial value of the Delaware Ship Canal reported as follows:

> The importance and value of the Delaware Ship Canal to facilitate commerce, especially coastwise commerce, will be as great as its military and naval necessity.

WILL ENCOURAGE COASTWISE COMMERCE.

The report showed that 10,000 registered boats were engaged in commerce on the two great estuaries—Delaware and Chesapeake Bays and their tributaries—which had a shore line of 2,500 miles; that the canal would furnish the needed link between the Atlantic coast, north and south, to accommodate both sections, and would be a short and cheap route for the exchange of their products; that it would be of great benefit to the markets of both the North and the South, "stimulating production in the South and cheapening the cost of living in the North"; that it would cheapen the cost of coal to New England, and compared the traffic on the canal favorably with that on the great canals of the world. It showed that the tolls on the canal "are practically prohibitory to most of the commerce that would otherwise use the present canal," and cited the case of the purchase by the Government of the Monongahela Navigation Co., for which it paid the sum of $3,761,615.46 "to liberate the coal of the West Virginia and Connellsville Basin, and which was fully justified by the stimulus it gave to manufactures along the Ohio and Mississippi Rivers." And, continued the report:

> The immense commerce involved, as shown by the above table, and which is overburdened or entirely obstructed by the high tolls or the

lack of a ship canal of adequate size, would seem to justify Congress in appropriating sufficient money to immediately acquire the franchises and property of the Chesapeake & Delaware Canal, or rather the interests therein not now owned by the United States Government, which will cost much less than the Monongahela investment, and at once throw it open to all commerce free of tolls, so far as the same is carried in boats small enough to pass through the canal, thereafter treating the canal as a navigable stream, to be improved and enlarged by Congress until it assumes the rank of a ship canal of sufficient depth and width to pass the largest vessels afloat.

The committee recommended that action be taken without delay to secure all data and information available to guide such further action as might appear desirable.

By joint resolution of Congress (public resolution No. 37, 1906) the President was authorized to appoint a commission to examine and appraise the value and works and franchises of the Delaware & Chesapeake Canal, and an appropriation made for that purpose.

This caused the appointment of the so-called Agnus commission, which consisted of Gen. Felix Agnus, of Baltimore, as chairman; Maj. C. A. F. Flagler, now Col. Flagler, of the United States Army, who appeared before the Committee on Coast and Insular Survey at its recent investigation; and Mr. F. T. Chambers, civil engineer, of the United States Navy. The commission reported January 1, 1907. (S. Doc. No. 215, 59th Cong., 2d sess.)

AGNUS COMMISSION FAVORS PROJECT.

This commission obtained and brought together a vast amount of information and reported in favor "of acquiring the Chesapeake & Delaware Canal at an early date, if practicable, and if it can be done at a cost not to exceed $2,514,289.70," which sum was reached by appraisement of the works and franchises of the canal, and the commission considered the works and franchises of the canal in three ways:

The canal company valued its property at $5,348,071. The commission, basing its estimate on cost of reproduction, valued the property at $3,708,186. The itemized estimate of values found at page 18, Senate Document No. 215, Fifty-ninth Congress, second session, is as follows:

Dry excavation, 15,000,000 cubic yards, at 16 cents	$2,400,000
Dredging, 1,435,760 cubic yards, at 14 cents	200,996
Revetment, 80,000 linear feet	70,000
Masonry, 44,000 perches, at $3	132,000
Lock at Delaware City	120,000
Lock at St. Georges	118,220
Lock at Chesapeake City	147,970
Land holdings, 8,000 acres, at $50	400,000
Summit level supply	5,000
Bridges	31,000
Houses, offices, etc	30,000
Tools, machinery, etc	1,000
Telephone line	2,000
Total "cost of reproduction," 1907	3,708,186

The commission then valued the stocks, bonds, and securities of the canal company, but was unable to reach any satisfactory conclusion regarding value of the securities, and it seems certain now that these securities are so widely held and the market value thereof so uncertain that no satisfactory conclusion could then or can now be reached.

Its third method of valuation was the amount of capital required to earn at a reasonable percentage the net income of

the company, and it reached the conclusion that on this basis, taking the net income at $104,118, a fair price for the canal would be $2,083,600.

It may be well here to state that the net earnings of the canal from figures obtained by the committee recently investigating the subject showed that the net income for the last year exceeded this amount by some $14,000.

The conclusion as to value reached by the Agnus committee was that the Government should not pay the amount stated as the cost of reproduction, $3,708,186, but at a fair valuation, deducting the outside holdings of securities by the company, the Government could profitably pay the amount recommended, $2,514,289.70.

The gross and net earnings of the canal and cost of operation are shown fully in the tables furnished by the Agnus report and in the supplementary report of the Committee on Coast and Insular Survey obtained at its hearings, and for the fiscal year of 1913 exceeded any year since 1888, before which date they averaged much higher than at present, for 1870 having reached $414,000, for 1880 being $189,000, as against $186,000 for the last fiscal year.

The time of the greatest prosperity for the canal, as shown by the short tons of freight passing through the canal, was from 1865 to 1888, when the traffic carried exceeded on an average a million tons per annum, which was carried in boats, barges, or vessels numbering from 16,394, practically the maximum, to 9,000, the minimum.

During the last fiscal year the total tonnage through the canal was 908,594 tons, the number of passages through the canal for the past year being 5,773 (p. 35, hearings, S. Res. 304).

The Agnus commission reported that for military as well as commercial advantage the line of the Delaware & Chesapeake Canal would be most advantageous, and that for military and naval purposes the proposed canal would be of "great strategic value as an adjunct to our land and naval forces." That—

> It was the commission's opiuion that the deep-water canal across the upper end of the peninsula would be of very great advantage to commerce. It would give the West a seaboard more than a hundred miles nearer the ocean than it now has. It would relieve hundreds of vessels of a dangerous sea route, which in years gone by has cost tens of millions of dollars in wrecks. It would save time and expense to the trade movements of the whole country. It would immediately affect the 11,000,000 people upon the two bays and their tributaries, and would contribute to the interests of all the population. In increasing commerce and reducing the cost of trausportation it would stimulate production and be of direct financial benefit to American industries. The commission believes the commercial advantages will fully justify the expenditure of the funds necessary to complete the work.

Concluding its report, the commission said:

> The present Chesapeake & Delaware Canal is the most important link in the proposed waterway from the Gulf to the city of Philadelphia for barge traffic, and its purchase aud improvement by the Government would be a benefit of extraordinary valne.

PURCHASE RECOMMENDED BY UNITED STATES BOARDS OF ENGINEERS.

On December 12, 1911, the Board of Engineers for Rivers and Harbors reported to the Chief of Engineers of the United States Army recommending the purchase of the Chesapeake & Delaware Canal for the sum of $2,514,289.70, and its condemnation if necessary. (H. Doc. No. 391, 62d Cong., 2d sess., pp. 273–275.)

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It recommended the line of the present canal as the most available and that a tide-level canal, being cheaper to construct, operate, and maintain than a lock canal, would be the most desirable. No damage to banks or interference with navigation being apprehended on account of tidal currents, not even a guard lock is required. The saving in distance for all the water traffic of Baltimore to New York and points in New England would be 184 miles, and the saving by a free canal on existing commerce when the canal should be deepened to 25 feet would be $1,414,442 annually.

The Chief of Engineers of the Army, January 2, 1912, reported to the Secretary of War that the average saving of lives by the inside passag would be 10 per year, finding this fact from the reports of 32 vessels, in which 49 lives had been lost. During the five years reported on by the Chief of Engineers, 32 coastwise vessels had been lost, and the average annual loss in life was 10; average loss on vessels and cargo, $100,000.

Without considering savings in insurance, the Chief of Engineers stated that the average saving in coastwise commerce which would use a free canal would be not less than $1,229,242, and probably would be considerably in excess of that amount.

On February 14, 1912, a special board of engineers, consisting of W. M. Black, colonel, Corps of Engineers, senior member of board; Frederick V. Abbot, colonel, Corps of Engineers; J. C. Sanford, lieutenant colonel, Corps of Engineers; Mason M. Patrick, lieutenant colonel, Corps of Engineers; and R. R. Raymond, major, Corps of Engineers, reported to the Chief of Engineers United States Army (H. Doc. No. 196, 63d Cong., 1st sess.), on the cost of construction, maintenance, and so forth, of the Delaware River-Chesapeake Bay Canal as follows:

	Sea level.		2 locks.	3 locks.
	Width, 125 feet; depth, 25 feet.	Width, 90 feet; depth, 12 feet.	Width, 90 feet; depth, 12 feet.	Width, 90 feet; depth, 12 feet.
Cost of construction plus 10 per cent	$12,424,500	$7,902,007	$7,803,914	$7,767,380
Annual interest at 3 per cent on first cost of construction	$372,735	$237,060	$234,117	$233,021
Cost of annual maintenance	$104,220	$104,220	$306,420	$310,020
Annual expenditure	$476,955	$341,280	$540,537	$543,041
Comparative expenditures capitalized at 3 per cent per annum, taking cost of a sea-level canal 125 feet wide and 25 feet deep as 100 per cent per cent	100	72	113	120
Time required for a boat with a draft of 10 feet and a beam of 36 feet to pass through the canal, calculated from formula, hours	1.2	2.9	3.9	4.4
Time required for a boat with a draft of 16 feet and a beam of 40 feet to pass through the canal—from formula hours	1.3	Impassable.	Impassable.	Impassable.
Time required for a boat with a draft of 20 feet and a beam of 45 feet to pass through the canal—from formula hours	1.7	Impassable.	Impassable.	Impassable.

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Two-lock canal: The two-lock canal has locks at Chesapeake City and at St. Georges, the summit level being the same as in the existing canal. From St. Georges to the Delaware River the canal is at sea level. * * *

Three-lock canal: The three-lock canal has locks as above and one near Reedy Point, the lifts being the same as those of the existing locks.

The route followed is that heretofore selected for this section of the intracoastal waterway.

The first costs of the three types of a 12-foot canal considered are practically equal because of the great cost of locks and the pumping plant required to supply the water for the summit level.

Delaware River-Chesapeake Bay section: As shown by the estimates, the saving of cost by constructing a lock canal 12 feet deep, as compared with a sea-level canal of the same dimensions, is about equal to the difference between cost of operating and maintaining the lock and sea-level types for six months. The sea-level type is therefore much cheaper in the end.

Since a sea-level canal is preferable to a lock canal from every point of view, for the Delaware River-Chesapeake Bay section, there would be little gained by deepening the present lock canal to 12 feet as an intermediate step toward a 25-foot sea-level canal. Special barges for a 12-foot depth would not be built for temporary use. The existing locks will accommodate traffic during enlargement of the canal and the change to sea level.

Therefore the sea-level canal 12 feet deep should be the first step. Its construction involves:

(1) Deepening and widening the present summit level and bringing its bottom to the same level as that of the lower reach, including flattening the slopes in the Deep Cut.

(2) Removal of the lock at St. Georges (10-foot lift), making a single level throughout 10 feet deep, with locks of 7 feet lift at each end.

(3) Deepening the whole canal to bring its bottom to reference —12.

(4) Removal of the locks at both ends of the canal, making a 12-foot sea-level canal.

The depth and width can thereafter be increased to the maximum desired.

The board believes that as outlined above the work can be carried on progressively and recommends that early provision be made for its inception and completion to a depth of 25 feet.

On July 22, 1912, the Board of Engineers for Rivers and Harbors reported (H. Doc. 196, 63d Cong., 1st sess.) on the Chesapeake & Delaware Canal as follows:

The Board of Engineers for Rivers and Harbors in its report on the proposed work commented in part upon these two sections as follows (H. Doc. 391, 62d Cong., 2d sess.):

"The Board of Engineers for Rivers and Harbors concurs with the special board as to the desirability of a free waterway connecting Delaware River and Chesapeake Bay. Aside from its future value as a link in a through waterway connecting northern and southern ports, it will be of great value to existing commerce and will yield immediate benefits. The board therefore recommends the purchase of the Chesapeake & Delaware Canal, at a price not exceeding $2,514,289.70, or its acquirement by condemnation proceedings, if necessary. It believes that the question of the enlargement of this canal should receive further study with a view to determining whether a less depth than that proposed by the special board would not adequately meet the requirements of commerce and navigation, and recommends the preparation of an estimate of the cost of a 12-foot canal, which is the depth recommended by the special board, as well as by this board, for the Norfolk-Beaufort section. This can be done under the present authorization [p. 275]."

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Delaware River-Chesapeake Bay Canal—Estimates of cost of construction and maintenance of 25-foot and 12-foot canal.

	Sea level.		2 locks.	3 locks.
	Width, 125 feet; depth, 25 feet.	Width, 90 feet; depth, 12 feet.	Width, 90 feet; depth, 12 feet.	Width, 90 feet; depth, 12 feet.
Cost of construction and purchase of Chesapeake & Delaware Canal	$12,424,500	$7,902,007	$7,803,914	$7,767,380
Annual maintenance	104,220	104,220	306,420	310,020
Annual interest at 3 per cent on cost of construction	372,735	237,060	234,117	233,021
Total annual cost	476,955	341,280	540,537	543,041

3. After discussing the advantages and disadvantages of a 12-foot waterway * * * the special board * * * recommends, for the Delaware River-Chesapeake Bay section, the construction of a sea-level canal 12 feet deep and its progressive enlargement and completion to a depth of 25 feet. * * *

The Board of Engineers for Rivers and Harbors, July 22, 1912, concurred in the views of the special board that—

The Chesapeake & Delaware Canal should be enlarged to a sea-level canal 12 feet deep and 90 feet wide at bottom, but it does not believe that the further enlargement to a depth of 25 feet should be undertaken until there has been an opportunity to observe the commercial changes resulting from the freeing of this canal and its first enlargement, and a new investigation has been made to determine the advisability of any further modification that may be suggested by the changed conditions. The board therefore does not recommend the 25-foot depth at the present time, but reports that in its opinion it is advisable to purchase the Chesapeake & Delaware Canal and enlarge it to a sea-level canal 12 feet deep and 90 feet wide at bottom at a total estimated cost of $7,902,007. The initial appropriation should be sufficient to buy the existing canal, whose value is estimated at $2,514,289.70.

And on August 9, 1913, Gen. W. H. Bixby, the Chief of Engineers, United States Army, reported to the Secretary of War (H. Doc. No. 196, 63d Cong., 1st sess.)—

(b) In favor of the immediate purchase of the existing canal between Chesapeake Bay and Delaware River and its early enlargement to about 12 feet in depth and appropriate width.

The report was submitted to Congress, August 12, 1913, by the Acting Secretary of War, and included the following:

REGARDING THE FURTHER IMPROVEMENT OF THE ALREADY RECOMMENDED WATERWAY BETWEEN CHESAPEAKE BAY AND DELAWARE BAY, THE CHIEF OF ENGINEERS CONCURS WITH BOTH THE SPECIAL BOARD AND BOARD OF ENGINEERS FOR RIVERS AND HARBORS IN THE OPINION THAT IT IS ADVISABLE FOR THE UNITED STATES TO BUY THE CHESAPEAKE & DELAWARE CANAL AT A COST TO THE UNITED STATES NOT EXCEEDING $2,514,290 AND TO THEN ENLARGE IT TO A SEA-LEVEL CANAL OF 12 FEET DEPTH AND 90 FEET BOTTOM WIDTH, WITH THE LEAST INTERFERENCE PRACTICABLE TO EXISTING TRAFFIC, FOLLOWING, IN GENERAL, THE METHODS INDICATED BY THE SPECIAL BOARD, AT A COST WHICH, INCLUDING THE FIRST YEAR'S MAINTENANCE, AMOUNTS IN ROUND NUMBERS TO $8,000,000, OF WHICH $3,000,000 SHOULD BE MADE AVAILABLE BY THE FIRST APPROPRIATION, AND ECONOMICAL WORK WILL THEN REQUIRE SUBSEQUENT APPROPRIATIONS OF FROM $500,000 TO $1,000,000 PER YEAR.

The Chief of Engineers concurs with the Board of Engineers for Rivers and Harbors in the view that further deepening to 25 feet of the Chesapeake & Delaware Canal at an extra cost of $4,500,000 should await further observation as to the commercial changes resulting from the first increase in canal depth and especially the release from canal tolls. Moreover, the Chief of Engineers is of the opinion that

the general public benefit will be that due to the increase of commerce by use of barges in tows and of medium-draft boats; and that the added benefits accruing from heavy-draft boats will be mainly local and consequently should await cooperation by the local States or those most directly benefited. As the work to be done is progressive and, as under present Federal laws, the engineer department can always receive and expend local funds for such purposes, it will always be possible to increase the project depth above 12 feet up to 25 feet as fast as local cooperation furnishes the funds.

RIVER AND HARBOR COMMITTEE OF HOUSE REPORTS FAVORABLY.

On February 24, 1914, the House Committee on Rivers and Harbors reported (Rept. 300, pt. 1, 63d Cong., 2d sess.) on the Chesapeake & Delaware Canal, as follows:

The purchase and enlargement of this canal, however, are very strongly recommended by the engineers, which, in the opinion of the committee, is one of the most important links in the proposed system, as it connects two great highways of commerce, the Chesapeake and Delaware Bays, and would, if completed as outlined in the project, save in distance between Baltimore and Philadelphia, it is estimated, about 320 miles, and between Baltimore and the mouth of the Delaware Bay 184 miles, which, together with other advantages claimed, caused the committee to look with favor upon the proposition and to authorize the purchase of the canal at a cost not to exceed $1,300,000, which is believed to be a fair valuation of the property. There is an alternative route considered by the engineers which may be used if the canal can not be purchased within the above figures, or resort may, of course, be had to condemnation proceedings, as Congress may deem best. On account of engineering difficulties which may be encountered in the enlargement of the canal it may be even better to adopt this alternative route, but that is a feature upon which we will naturally look largely to the engineers for advice.

The canal is owned by the Chesapeake & Delaware Canal Co., and appears to have outstanding 37,618 shares of stock, par value $50, held by numerous parties, including the United States Government, which originally paid $450,000 on the project, and the States of Pennsylvania, Maryland, and Delaware, which contributed, respectively, $100,000, $50,000, and $25,000 to the enterprise.

It should be added that the original estimates for the cost of this canal and its subsequent enlargement to a 12-foot depth, with suitable widths, were $8,000,000 to complete, but in those estimates the maximum cost of purchasing the canal was fixed at $2,514,290. As, however, the committee fixed the maximum amount to be paid for the existing canal at $1,300,000, the estimated cost by the engineers is thereby reduced to $6,785,710, the difference between $8,000,000 and the amount of the reduction in the cost of the canal.

REPORT OF COAST AND INSULAR SURVEY COMMITTEE OF SENATE.

The last report on matters concerning the Chesapeake & Delaware Canal is that of the Coast and Insular Survey Committee, made April 25, 1914 (Senate Rept. 452, 63d Cong., 2d sess.).

That committee was charged with investigating some of the corporate affairs and the value of the canal, having in view its possible acquisition by the United States, as recommended by the various boards of engineers from time to time.

The committee reported that the stock of the canal had no value, but its bonds, amounting to $2,602,950, have a real and substantial value, the interest on such bonds having been regularly paid at 4 per cent, and, continued the committee—

Unless some unusual and unexpected damage shall occur to the works and property of the canal, it may fairly be presumed that its earnings will be sufficient to pay the interest at 4 per cent on the outstanding bonds, although the average annual net income of the canal company from all sources during the past 10 years (after paying interest and its operating expenses) has been only $2,989.24. This gives to these bonds a real value which is in some degree indicated by the last sale referred to at 68 per cent of the par. Under the law of the State of Pennsylvania the insurance companies of that State are permitted by its insurance department to invest funds in these bonds at 64 per cent, as shown by a letter of the insurance commissioner of that State sent your committee, dated April 8, 1914.

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The company has averaged annually for the past four years for tolls earned	$175,000
Its cost of operation has averaged during said year	65,000
Its average net income from operation has therefore been for four years	110,000
Interest on its bonds at 4 per cent	104,118
Leaving a net average annual income for last four years of	5,882

which by comparison with the income of the company for a period of 10 years shows a substantial increase in its net receipts from operation.

* * * * * * *

Many official reports concerning the canal and its value have been made from time to time by engineers of the United States Army and others. In 1906 a special commission was appointed for the purpose of ascertaiuing the most feasible route for a canal between the Delaware aud Chesapeake Bays. Your committee had before them Gen. Felix Agnus, of Baltimore, the chairman of that commission; Col. C. A. F. Flagler, at the time engineer in charge of that district; and Gen. William H. Bixby (retired), late Chief of Engineers of the United States Army. These gentlemen have as close aud intimate knowledge with the Chesapeake & Delaware Canal as it is possible for the officials who have been charged with the duty of ascertaining the value of the canal to obtain from close study of the physical condition of the canal itself and investigation of all its affairs and property, as well as the value of the canal to the Government for military and naval purposes and as an aid to commerce.

The Agnus commission, when Col. Flagler (then major of Engineers, Uuited States Army) had charge of the Wilmington (Del.) district, made a detailed valuation of the works and property of the canal, which may he found at page 18, Senate Document 215, Fifty-ninth Congress, second session. The value there given is $3,708,186.

Gen. Bixby, in his testimony before this committee (p. 126), confirmed this valuatiou, and showed that no new appraisement was necessary, as the appraisement made in 1906 was confirmed by present cost prices of materials. Gen. Bixby's statement regarding the value of the caual was as follows:

"While the cost per unit might differ a little bit to-day, the total cost, if we were making a new appraisement based on the figures of quantities that the commission verified, would go over $3,000,000 all the same, which is a price that is greater than the price which has beeu previously recommended for payment to the canal company. In other words, the price at which the Agnus Board and the other boards have concluded was best to stand by as a payment to the canal company was a price based upon its value as a going concern, which is less than what it might cost to reproduce the properties, and therefore they have all concurred with them that the recommendation which has been made for $2,500,000 was not too high, and if it erred anywhere it was perhaps too low, because we know that to do the same work to-day in that locality we can not get it for any less money (p. 126)."

And at page 123 Gen. Bixby, referring to the benefits which would be derived to commerce by making the canal a free canal under governmental control, said:

"The hoard, in figuring out the net benefit of $1,414,000 a year, figured on shipments from northern points estimated at 1,430,000 tons, shipments from southern points estimated at 1,107,000 tons, making a total of 2,537,000 and odd tous."

The former Chief of Engineers in giving his testimony showed the great benefit which had been derived in various sections with which he was persoually familiar, where somewhat similar improvements had been made.

Col. Flagler, in his testimony, stated that the cost of building auother canal reasouably near the Chesapeake & Delaware Canal would largely exceed the estimates on which the purchase was recommended hy the commission for the amount of $2,514,000, and stated (p. 117), "The distauce from Baltimore to Philadelphia will be shortened by 323 miles; from Baltimore to the mouth of the Delaware Bay, by 184 miles," should the canal be properly deepeued and controlled. To shorten the distance between Baltimore and the mouth of the Delaware Bay was giveu to show how much less the distance would be from Baltimore to New York and New England points.

Ever since the Agnus report in 1907, wherein the cost of reproduction, estimate of properties and appurtenances of the canal, and other elements entering into its value were carefully considered, the conclusion reached hy that commission that the Government could afford

to pay and should acquire the canal for the sum of $2,514,289.70 has been concurred in by all Government officials, Army engineers, and persons reporting on the canal as a fair price to be paid. This amount was reached by the commission after careful consideration given the matter, being shown on pages 17 to 20, inclusive, of the Agnus report.

After full consideration by your committee of all official reports on this canal, the testimony taken by it and information which it has obtained regarding the possible value of the canal to the owners and holders of its stock, bonds, and obligations, your committee has reached the conclusion that while the stock and obligations of the company by the expenditure of some millions of dollars might be made much more valuable, the present value of the canal, as shown by its earning capacity, does not exceed $2,100,000, and that its bonds are not worth, considering the value of the property by which they are secured and the present and prospective earnings of the property mortgaged to secure them, more than 80 per cent of their face value, which would be approximately $2,100,000.

* * * * * * *

Your committee believe that the acquisition of the canal by the Government without resort by it to condemnation proceedings is practically impossible, because in addition to holding the securities with the hope that the Government will at least pay the par value of the bonds, the owners and holders of the stock and bonds are so widely scattered as to render it impracticable to deal with them individually and thus acquire their holdings.

We therefore conclude that the appropriation carried in the present river and harbor bill will prove insufficient to acquire the canal, that condemnation proceedings must be resorted to ultimately and should be provided for in any appropriation made with the expectation of acquiring the canal, and that the amount necessary to pay an award in condemnation proceedings will not be less than $2,000,000 and may reach $2,500,000.

MANIFEST ADVANTAGES TO THE PEOPLE.

Of necessity, Mr. President, I have been compelled in proving by the opinions of the best engineers the advisability of the acquisition by the Government of the Delaware & Chesapeake Canal to quote extensively from the many official reports which have been made from time to time on this subject. The advantages of its acquisition by the Government to the people of a great section of the country appears so manifest that the work of bringing together the extracts from these opinions and reports seems almost unnecessary.

Those who labor upon the great Chesapeake Bay and its tributaries will have opened to them, by quick water transportation, the markets where millions of people in the great cities of Trenton, Camden, Philadelphia, Chester, Wilmington, and the surrounding territory purchase their food. The people of these great communities will have opened to them, by quick water transportation, the great markets where the people of Baltimore, Annapolis, Norfolk, and the South purchase the manufactured articles necessary for their daily use. Millions of tons of freight will be interchanged and enhanced in value by the readiness with which customers can obtain the necessaries of life. Millions of people will be benefited by the lessened cost of articles they daily use.

If those who know best about this great work are not absolutely and entirely mistaken, the military and naval defenses of a great portion of our eastern seaboard will be more than doubled and the strength of this Government can be readily concentrated at any point where attack is to be feared. The cost of making such concentration possible will only be that of one or two ships of war, and from 10 to 20 per cent—possibly a greater percentage than that—on its cost will be saved to the commerce of the country annually.

The canal completed in accordance with the estimate of the engineers will prove an automatic regulation of railroad rates, and at the same time relieve the railroads of their congested traffic, to the great benefit of all their customers.

Resolutions of public bodies have been passed year after year urging this improvement upon Congress.

FAVORED IN NATIONAL PLATFORMS.

The acquisition of this canal by the Government will be in accord with the last two platforms of the now dominant party in this country. In its platform at Denver, in 1908, the Democratic Party declared:

> Water furnishes the cheaper means of transportation, and the National Government, having control of navigable waters, should improve them to their fullest capacity. * * * We favor, when practicable, the connection * * * of the navigable rivers with each other, by artificial canals, with a view of perfecting a system of inland waterways to be navigated by vessels of standard draft.

At Baltimore, in 1912, its declaration was as follows:

> We favor the adoption of a liberal and comprehensive plan for the development and improvement of our inland waterways with economy and efficiency, so as to permit their navigation by vessels of standard draft.

SUMMARY.

There can be no better place found in the Union to test the value of a modern canal than by the purchase and enlargement of the now small waterway between the Delaware and Chesapeake Bays. A great traffic already exists, and the amount of its interchange between producer and consumer will thoroughly test out the great project of an intracoastal waterway.

The Government, according to the letter of the Secretary of the Treasury of April 4, 1914 (S. Doc. No. 462, 63d Cong., 2d sess.), has already invested in this project $472,309.62. The Maryland Board of Public Works, as long ago as November, 1906, declared it to be the sense of that board that the State, owning $81,250 of the stock of the canal company, should contribute its holdings toward the project if the Government would purchase the canal and make it a free and open waterway.

Wide markets where millions of consumers will be benefited will open to the people of Maryland and Virginia engaged in producing the necessities of life. Exchange of manufactured goods for foodstuffs will be increased for the benefit of all.

It is difficult—indeed, impossible—to accurately estimate the great advantage which will flow from unfettering the commerce of the two sections and making easy the free interchange of between fifty and a hundred millions of tons annually, which is the combined commerce of the two bays.

The Government can obtain this waterway at less than its actual cost and with a certainty that no loss will be incurred. The character of the project is not a new one. A similar but smaller project of this character was carried through when the Government purchased the Chesapeake & Albemarle Canal, and the advantages of that purchase have already been proven in some measure.

The Seattle canal now being constructed from the Sound to a lake furnishes another example.

Another instance where the Government entered upon a more comprehensive and profitable project was in the case of the Monongahela Navigation Co., which opened the coal fields to the commerce of the Ohio River, and the wisdom of that project

was quickly realized. Still another was in the case of the Soo Canal, where the United States instituted condemnation proceedings to unfetter the commerce of the Lakes, so that there is no new proposal here and no new field of national effort is proposed.

The entire project of linking together the North and the South by a system of intracoastal canals depends for its success upon the acquisition and improvement of this comparatively small canal in the most thickly settled portion of the Union. It has been recommended so often and its benefits so widely advertised by resolutions of boards of trade and waterways conventions that there are no two opinions among those who know the situation.

It is no small thing to take into consideration that approximately 10 human lives will be saved each year, now sacrificed to the fury of the sea on the outside passage between the Delaware and Virginia Capes, if this waterway should be properly opened.

Existing as it now does, it may be said to be almost an obstruction to commerce rather than a benefit, for if it did not exist at all the short barrier to the interchange of the great commerce of the two bays and their tributaries would not be allowed long to exist.

The people of my own State, while they are interested in the project, are not, in my opinion, those who will be the most greatly benefited. The great commercial center of Baltimore and the great body of wage earners at Philadelphia will obtain the chief benefits and advantages which will flow from this great but at the same time comparatively inexpensive public work. But I realize, I think, Mr. President, how great a benefit the people of the great middle section of the Atlantic seaboard will receive, and if, by agitating the project and bringing together in connected form the expert opinions, the technical knowledge, the expression of those of great experience, I may have been able in some slight degree to further this work, the labor which it has entailed will not be without its reward.

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SOME POLITICAL PHASES OF GOVERNMENT OWNERSHIP

BY

SAMUEL O. DUNN

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SOME POLITICAL PHASES OF GOVERNMENT OWNERSHIP

BY SAMUEL O. DUNN

I

THERE has been a revival lately of proposals for and discussion of government ownership in the United States. Congress within recent years has enacted legislation creating postal savings banks and a parcel post; and former Postmaster-General Hitchcock advocated government purchase of the telegraph lines. An act for government construction of railroads in Alaska has been passed. Senator Kenyon of Iowa has proposed that Congress create a commission to investigate the results of public ownership of railroads abroad. A committee of post-office officials lately reported in favor of acquiring the telephone lines. And Senator Kenyon and Senator Martine of New Jersey, after serving on the committee which investigated the strike, in 1913, in the coal-mines of West Virginia, reported in favor of government acquisition of all coal-mines, to prevent such strikes.

The people favored the postal-savings-bank and parcel-post laws. They may have approved government construction of railroads in Alaska, although few had considered the question on its merits. Doubtless but a small minority has studied the expediency of such gigantic projects as purchase and operation of telegraphs, telephones, railways, and coal-mines. But the fact that prominent public men do make such proposals is significant. They usually know what ideas have taken root in the public mind, and what it is prepared to receive. Most Americans still mistrust state enterprise. But the feeling is not so strong as formerly. Unless a good case shall be made against public ownership, sentiment may crystallize in favor of state telephones, telegraphs, railways, and mines. The continuance of private ownership even of farms is not certain. The movement for the single tax is in its essence a movement for the public ownership of land.

In view of these facts, serious discussion of the probable results of state socialism under the conditions in the United States is pertinent. The effects of the nationalization of merely the great public-service enterprises, such as the telephone, telegraph, and railway systems, would be numerous and important enough. Still more varied, numerous, and momentous would be the results if the coal-mines also should be made public property.

One of the important questions raised is whether government ownership and management would increase or reduce the economic cost of production. The government can raise capital cheaper than private corporations. But the government would manage as well as own. Would its management be so efficient as to conserve the saving in the cost of capital? If government management were efficient, and the cost of production were reduced, it

would be possible to improve the services rendered, reduce rates or prices, raise wages, and improve working conditions, or turn profits into the public treasury. If government management were inefficient the results would be of an opposite character.

Thirty-three years ago an Italian government commission made a most thorough investigation of public ownership of railroads, and reached several important conclusions. One was that under government ownership, 'politics,' as President Hadley phrased it, 'would corrupt the railroad management and the railroad management would corrupt politics.' This would cut the public with a two-edged sword. Political influence would cause the government industries to be ill-managed. Nothing else is so fatal as such influence to the efficient management of state enterprises. And if the state management should become a factor in politics, then politics would be demoralized. No influence holding a greater menace to free institutions could be injected into politics than the influence of government departments which controlled the expenditure of billions of dollars annually and employed millions of voters.

Most of the concerns the nationalization of which is suggested render 'public services.' Therefore, under private ownership, they must secure franchises from the public, and are subject to government control and regulation. In connection with this control and regulation various questions of public policy arise which often get more or less into politics. One is, what rates the concerns shall charge. Another is, what improvements and extensions they shall be allowed or required to make, and on what terms. Still another, is the conditions under which they may require their employees to work. In some cases the wages they shall pay have nearly got into politics. Under government ownership, questions of similar character regarding all of the nationalized industries might be drawn into politics.

II

In the consideration of the rates or prices of a concern regulated or managed by government, controversies and antagonisms spring up between different classes of buyers of goods or service, who think that unfair discrimination is practiced as between them. They develop between different communities which think that they are not equitably dealt with. They spring up and become embittered between those who sell the goods or service and those who buy them.

In many cases the questions raised by such controversies and antagonisms have, under private ownership, become issues in politics in the United States. The public-service companies have tried to defeat or minimize public regulation by seeking to control the nomination and election, and the subsequent official action, of lawmakers and other public servants. The public-service companies which have used these methods have not alone been at fault. Sometimes they have employed them to prevent 'strike' legislation. Sometimes the campaign contributions and bribes which they have given have been blackmail.

In time the public found that regulation by mere legislative enactment usually is either futile or harmful. Experience taught it that the way to take public-service corporations out of politics, and at the same time to make regulation effective, was to delegate the work of regulation to administrative commissions. The increase of regulation, and the change of its form, have reduced the influence of the public-service companies over politics, and seem

to have shown that they can be used to destroy it.

While the public-service companies have ceased in most places to be an important factor in politics, politics, unfortunately, has continued to be a factor in the regulation of their rates as well as of other features of their business. But the extent to which politics influences state regulation has declined, while so completely has regulation of interstate rates been turned over to the Interstate Commerce Commission that it has almost ceased to be a factor in national politics.

If the railways, telegraph and telephone systems, and other industries whose interstate operations are now regulated by the Interstate Commerce Commission were acquired by the government, the fixing of their rates might be left in the hands of the Commission. But whether this would be done is questionable. The government charges the people for carrying their letters, newspapers, and other mail; and the question has been raised whether the rates, especially for second-class mail, are reasonable; but the government has never had an expert and impartial investigation of the subject made by the Interstate Commerce Commission or any similar body. The government employs the railways to carry the mails, as passengers and shippers employ them to carry them and their goods. But the government does not submit the reasonableness of its mail-pay rates to the Interstate Commerce Commission, as the reasonableness of passenger and freight rates must be submitted to it. The rates for which the railways must carry the mails are fixed arbitrarily, and largely on political considerations, by Congress and the Postmaster-General. The law gives the Interstate Commission some authority over the parcel-post rates; but those rates also have been fixed arbitrarily and on political considerations by Congress and the Postmaster-General. If the telegraph and telephone systems were acquired they would be incorporated into the post-office department, and the control of their rates probably would be withdrawn from the Commission. The authority to fix railway rates doubtless would at first be left with the Commission. But, wherever the rate-making authority might be lodged, it is doubtful whether telephone, telegraph, or railway rates could, under government ownership, be kept out of politics.

Under government ownership the existing limitations on the fixing of rates by public authority would be razed. Chief among these is the constitutional rule prohibiting the making of rates which deprive a company of a fair return. Under this rule, lawmakers and courts must fix rates according to the special conditions of each case. The result is, especially as to railways, that the rates allowed to be charged are much higher in some parts of the country than in others; in the west and south than in the east. Under government ownership the dominant part of the public could have rates fixed in any way that wisdom, caprice, political expediency, or selfish interest might suggest. For it would always be possible, if any body to which the rate-making authority was delegated should refuse to make rates as any section or class wished, to appeal to Congress. Congress could require the recalcitrant regulating body to be reorganized, or could abolish it, as it abolished the Commerce Court when that court's decisions did not suit it. Or Congress might lay down new principles according to which the regulating body must act; or prescribe whole schedules of rates itself.

Now, it is very likely that under government ownership the people of

the parts of the country where rates are relatively high would demand that their rates be made as low as the lowest. But if this were done, the earnings of the government railways would be heavily reduced. Losses would result which would have to be met by taxation of the entire public. Therefore, the people of the more populous and industrially developed sections very likely would resist the demands of other sections for reductions of rates. This would raise an issue over which bitter political struggles might be fought. Political struggles have resulted from similar causes even in Germany, where politics exerts less influence on state railway management than anywhere else. In Canada, on the government-owned Intercolonial Railway, the rates are thirty per cent lower than the average on the other railways of the country. Owing to this — and to its uneconomical management — the Intercolonial for years has not earned its interest, and in 1913 did not earn even its operating expenses. Its low rates operate to give a subsidy to the people living along it, which all the people of Canada pay back in taxes. And this subsidy has exerted a more than negligible influence on the results of recent elections in the eastern provinces.

All who use railway or telegraph or telephone service largely, have a motive for seeking to have the rates for the service made low. But it is to the interest of the general public under government ownership to have rates charged that will at least cover operating expenses, depreciation, and interest on the investment. Otherwise, as on the Intercolonial, there results a deficit which must be paid from taxes. In view of this conflict of interest it is easy to see how, under government ownership, the question how high rates in general should be made, or what rates should be charged this or that large class of users of public services, might become a political issue.

The history of the United States is not devoid of examples of struggles affecting sectional or class interests which have resulted in legislation based, not on scientific and economic, but on political principles. The tariff question, which, while much less complicated and important, is in many ways similar to the railway-rate question, has exerted a corrupting influence on American politics for a century and a quarter. If government ownership of railways, telegraphs, mines, and so forth, should be entered upon, the question what rates and prices should be charged for their services and products probably would add a page to our history similar to that written by the tariff. It is frequently said that under government ownership the fixing of rates for public services would be intrusted to a non-political commission. It is significant that, although long advocated, no such step has been taken to remove the tariff from politics.

III

Under state socialism it would be necessary for Congress to determine, directly or indirectly, what expenditures should be made for increasing and improving the facilities of the state industries, and for carrying on their services. The annual investment in additions to and permanent improvements in the concerns whose properties it is proposed to nationalize, is enormous. Recent years have been a period of relative depression in the railway business in the United States; yet the investment of new capital in the railways alone, during the five years ending June 30, 1913, averaged about $700,000,000 a year. The similar investment of the American Telephone

& Telegraph Company in its telephone lines amounts to about $56,000,000 annually. This annual new investment in the Bell system is $5,000,000 greater than the largest expenditure ever made by the government on rivers and harbors in any year, while the annual new investment in railways is fourteen times the maximum annual appropriation for rivers and harbors, and about equals the total expenditure on rivers and harbors since the foundation of the government. Under normal conditions the new investment made annually by the concerns whose properties it is proposed to nationalize is well over $1,000,000,000. Under either private or public ownership the amount invested must steadily, and even rapidly, increase, if the services rendered are to keep pace with the demands and needs of the public.

Under private ownership and management it is necessary in many cases for railway, telegraph and telephone, and other public-utility companies to obtain authority from public bodies to make extensions and improvements. In their attempts to secure favorable action, public-service companies have often resorted to improper methods. But in a great majority of instances public-service companies decide upon and make expenditures for their additions and improvements without reference to or effect on politics.

Would it be possible, under public ownership and management, to make extensions and improvements involving an investment of at least one billion dollars annually, with as little effect on politics as is the case under private ownership? Are the expenditures of the government for rivers and harbors and public buildings made regardless of political considerations and without political effect? On the contrary, the appropriations for these purposes, and even those for army posts and naval yards and stations, influence and are influenced by politics. Repeatedly have high-minded and patriotic public men—such men as United States Senator Theodore E. Burton of Ohio—denounced the grossly wasteful appropriations made by Congress for the political benefit of its members, and spread the disgraceful record before the public.

'The desire of Congressmen for reelection,' declared Senator Burton recently, 'and the local pride of selfish districts frequently occasion indefensible expenditures for both these purposes [the erection of public buildings and improvement of rivers and harbors]. It would hardly be exaggeration to say that one third of our total appropriations for rivers and harbors has been wasted by the extravagant and unscientific system under which they have been applied. . . . By this same system of framing appropriation bills for public buildings, political considerations triumph over the needs of the service and considerations of public economy and efficiency. As a result we have these bills written with an eye to the number of congressional districts in the country rather than to more patriotic considerations.' It is sometimes said that these abuses are decreasing. 'The most discouraging feature of this condition,' declares Senator Burton, 'is that it seems to be growing worse each year.' [1]

In many countries appropriations for government railways have played the same kind of part in politics that appropriations for some public purposes play now in the United States. In the earlier history of railways a number of lines were built by individual states in this country. In every instance evidence was afforded that under government ownership politics

[1] Article in the *Saturday Evening Post*, January 3, 1914.

is likely to corrupt the railroad management and the railroad management to corrupt politics. The experience of North Carolina is typical. The North Carolina Railroad, which was built by the state, began at Goldsboro and was laid out in the form of a horseshoe, which disregarded both physical and traffic considerations. Its historian explains that unless the road 'had gone to the home of Governor Morehead, had passed by Hillsboro, the home of Secretary of the Navy, Governor, and United States Senator Graham, and other distinguished men, had taken in the state capital in its route, and terminated in the midst of the descendants of the signers of the Mecklenburg Declaration of Independence, it could not have come into existence at all!' 'So long,' he adds, 'as the state attempted to operate it, the political factions along its route had to be appeased by seats in its directorate, and favors more or less discriminating were a necessity both to individuals and to influential centres.' [1]

Expenditures on the railways always have been used more or less to influence political results in Australia and New Zealand. When New Zealand began railway construction in the seventies the government had a comprehensive plan for the development of the lines. 'But from every part of the country arose a clamor for a fair share in the public expenditure, and the appropriations were doled out to more than thirty different districts with undue regard to political influences.' [2] To these perversions of the original plan has been attributed the financial failure of the state railways of New Zealand.

The most recent example of the kind is afforded by Canada. It was decided by the Dominion Parliament that another transcontinental railway should be built. It was determined to turn it over for operation to the Grand Trunk Pacific Railway Company. The construction of the eastern part, known as the National Transcontinental Railway, was, however, undertaken by the government itself, and delegated to the 'National Transcontinental Railway Commission.' In its earlier life this commission had no member with railway experience. Progress with its work being unsatisfactory, the government in 1913 created another commission to investigate it. In January, 1914, this commission, of which the general manager of the government-owned Intercolonial was chairman, reported that the National Transcontinental Commission had wasted at least $40,000,000, and made numerous detailed allegations regarding expenditures dictated by political considerations or by something worse. It charged that the part of the line in New Brunswick, which cost $35,000,000, was unnecessary and that it was built to placate the supporters of the government east of Quebec. It stated that the original estimate of the cost of the National Transcontinental was $61,415,000; that the expenditures to September, 1911, had reached $109,000,000; and that the estimates then made indicated that the final cost would be $161,300,000.

In view of such experience in this and other countries, how can anybody doubt that, without a complete revolution in American politics, the appropriations for additions to and improvements in the railways and other large public utilities would, under government ownership here, be made largely

[1] 'State Ownership in North Carolina,' by T. B. Womack, formerly Judge of the Supreme Court of that state, in *World's Work*, December, 1906.

[2] 'Railways in New Zealand,' by James Edward LeRossignol and William Downie Stewart. *Quarterly Journal of Economics*, August, 1909.

with an eye to politics? How can we assume that communities which now demand appropriations for the 'improvement' of little streams which can never be navigated, would not, under government ownership, insist that their representatives and senators get them 'their share' of appropriations for the construction of new railway lines, regardless of the welfare of the nation as a whole? How can we assume that towns and cities which demand appropriations for public buildings the cost of which is utterly disproportionate to the population and business served, would not under government ownership demand that their Congressmen get appropriations for railway stations whose cost would be utterly disproportionate to the population and business accommodated?

If public men cannot, or will not, resist the demands made on them now, how can we assume that they could and would resist the new and larger demands that would be made on them then? And if the relatively small appropriations for public buildings and rivers and harbors play such havoc in our politics now, what would be the effect produced by the relatively enormous appropriations which would be made under government ownership of telegraphs, telephones, coal-mines, and railways, for the improvement and development of these properties?

In the construction and operation of railways, telegraph and telephone systems, and mines, it is necessary for the managements, whether state or private, to have many business dealings with contracting, manufacturing, and mercantile concerns. The manufacture and sale of railway equipment and supplies alone constitutes one of the largest industries in America. Billions are invested in it; and the number of men employed almost, if not quite, equals the number employed by the railways. There sometimes is graft in new construction and in the purchase of equipment and supplies under both private and state ownership. But there is no politics in them under private ownership, while there almost certainly would be under public ownership.

The promise of tariff legislation that would benefit them has always been used by one of our political parties to catch the votes of numerous large concerns and their employees. Under government ownership the argument that one party was more disposed than another to make large expenditures which would increase the business of equipment and supply-manufacturing concerns, might be used very effectively to attract the support of these concerns and their workmen. The commission which investigated the construction of the National Transcontinental Railway by the Canadian government charged that contracts had been let for the specific purpose of influencing national elections, and in one case even a local election in Quebec.

We have seen how large are the expenditures for improvements and extensions in the industries which it is proposed to nationalize. The expenditures for equipment and supplies used in them in the ordinary course of operation and maintenance are probably equally large. These latter outlays for the railways amount to $700,000,000 annually; for the telegraph and telephone systems to about $100,000,000 annually. If any considerable part of these sums should under government ownership be so laid out as to influence politics the results would be demoralizing.

IV

From a political standpoint, the most important phase of the question of government ownership is the effect which would be produced by the trans-

fer of millions of voters from private to public employment. The following table gives the numbers of employees in the civil service of the government, and of those in the service of the steam railways, electric railways, and express, telephone, telegraph, and coal-mining companies respectively, in the years mentioned: —

Steam railways, 1913	1,850,000	employees
Coal-mines, 1913	730,000	"
Government civil service, 1912	396,000	"
Telephone and telegraph companies, 1912	260,000	"
Electric railways, 1907	250,000	"
Express companies, 1907	80,000	"
Total	3,566,000	"

The table includes some employees who probably would not be transferred to government service. Such are those of the street railways, which are more likely to be municipalized than nationalized. It does not include some who doubtless would enter government service, as those of the Pullman Company and the private freight-car lines. On the whole, it gives a conservative idea of the number who would soon be employees of the government if such a policy of nationalization as is advocated should be adopted. Furthermore, at present, eight hours is a day's work in government service, while the standard working day on railways is ten hours. Therefore, if no change should be made in the hours of work of government employees, there would be, under government ownership, a reduction in the working hours on railways which would necessitate an increase of over 350,000 employees. In most other countries there have been large increases in the numbers of employees when railways and other concerns have been nationalized, even when there has been no change in the working day. It is safe, therefore, to estimate that, if the various projects for government ownership should be carried out, there soon would be almost 4,000,000 men in government service. If only the railways, telegraphs, telephones, and affiliated systems of communication and transportation were nationalized, the number of government employees would soon rise to 3,000,000. The total number of votes cast for president in 1912 was 15,036,542. The total number of qualified voters is about 21,000,000. Thus the number of government employees would, in such case, amount to from 20 to 25 per cent of the largest vote ever cast for president, and from 14 to 20 per cent of the total qualified electorate of the nation. What would be the political effect?

The present regulations concerning the political activities of government employees are strict. Civil Service Rule I, section 1, provides that employees subject to the rules, 'while retaining the right to vote as they please and to express privately their opinions on all political subjects, shall take no active part in political management or in political campaigns. . . . Petitions or other communications regarding public business addressed to the Congress, or either house, or any committee or member thereof, by officers or employees in the civil service of the United States, shall be transmitted through the heads of their respective departments or officers, who shall forward them without delay, with such comment as they may deem requisite in the public interest. Officers and employees are strictly prohibited from attempting either directly or indirectly to secure legislation or to influence pending legislation except in the manner above described.' It is further provided that 'an employee may not publish or be connected editorially, managerially, or financially with any political newspaper, and may not write for publication any letter or article,

signed or unsigned, in favor of or against any political party, candidate, faction or measure.'

If the railways and other industries should be nationalized, an attempt would be made to apply these rules to their employees. The employees of the railways, at least, foresee this, and the leaders of their unions detect in it a powerful argument, from their standpoint, against government ownership. The railway labor organizations now use political means constantly to secure changes in conditions of employment and in railway plants and operating methods. At their conventions they adopt resolutions commending public men who assist them to secure legislation, and denouncing those who oppose them. They have at every state capital and in Washington legislative agents who buttonhole lawmakers persistently, to get votes for their train-crew bills, locomotive-headlight bills, and so on. They have publications through which they urge their members to support public men who are 'friendly' and oppose those who are 'unfriendly.' By such means the brotherhoods secure the passage of scores of laws and control the choice of many public officials.

If the nation should acquire the railways, the state laws regulating them which the brotherhoods have got passed would be wiped out. A state cannot regulate an instrumentality of the federal government. And if the existing civil-service regulations should be applied, the machinery the brotherhoods have built up for influencing legislation would be destroyed. The highly paid conductors and locomotive engineers contrast their incomes, conditions of service, and freedom of political action with the situation of government civil employees; and they declare that if public ownership would reduce railway employees to the 'servitude' of railway-mail clerks they want none of it.

But it is not certain that the present civil-service rules would be applied to employees of government railways, telephone and telegraph systems, and coal-mines. They would not be if these employees could prevent it; and their numbers would give great potency to their resistance. Besides, while the rules restrict the political activities of government employees, they cannot keep members of Congress from passing legislation for the benefit of employees, or forbid employees to reward their benefactors with their suffrages. Finally, even if the civil-service rules should be extended to the new employees, it does not follow that they would be enforced. The control exercised over the two per cent of the qualified voters now in the government service is no criterion of the degree of control which could be exercised over ten to twenty per cent of the qualified voters.

If the railways, mines, and other industries should be nationalized, there doubtless would be created to manage them departments hedged about with legislation designed to make them independent of political influence. The officers of these departments doubtless would try to operate the properties efficiently and economically. But efficiency and economy are not consistent with the constant granting of higher wages and easier conditions of work. And, on the other hand, no body of men ever was satisfied for any considerable period with its wages and conditions of employment. Therefore, in the course of a short time the employees would ask for concessions which the managements would refuse. Even under existing civil-service rules the officers would be obliged to transmit the employees' petitions to Congress. In this or some other way it would

speedily be made necessary for members of Congress to go on record either for or against the demands of the employees. Does not experience show that most of them, before they went on record, would consider the probable effect on their political fortunes? Members of Congress are human; and the number of humans who will act contrary to their selfish interests when no plain question of personal honor is involved is not large. Now, on every such issue the general public would be divided, or its attention would be distracted by other issues. But on such issues the government employees would be united. The hundreds of thousands of their relatives and friends would stand with them. The result would be that with respect to these special questions they and their sympathizers would usually hold the balance of power. Many members of Congress would therefore decide that it was to their selfish interest to side with the employees.

Let us suppose, however, that Congress should support the managements in refusing to make important concessions to the employees. By 'plumping' at the next election for the Congressmen who sided with them and against those who sided against them, the employees and their sympathizers could largely determine the personnel of the next Congress.

To inject the wages and conditions of employment of from two to four million voters into politics would be to inject a most corrupting and demoralizing influence. Elections and legislation should turn on questions affecting the welfare of the entire public, never on issues affecting the selfish interests of but a part of it. When they are determined by class interests and considerations, government in this country will no longer be democratic. It will be oligarchic.

V

The experience of other countries throws light on the effects which would be produced by taking a large body of voters into the employ of our government. In Prussia the government employees exert little influence on politics. But the conditions there weaken, rather than strengthen, the argument for public ownership here. In Prussia under the three-class voting system, which is based on property, the political power of the working classes, including state employees, is extremely small in proportion to their numbers. Besides, government employees are not allowed to organize in any way or for any purpose not sanctioned by their superior officers. The political status of the Prussian state-railway employee has been thus described by J. F. Mills, in an article in the *Railway Review*, the publication of the National Union of Railway Men of England:—

'The [Prussian] government's feudal conceptions may be realized from the fact that it regards its employees as bound to it body and soul, politically as well as industrially; and the open voting system places a terrible power for penalization in the hands of the state authorities, should the state employees choose to vote for candidates of whom the government does not approve. In fact, for state employees to exercise the elementary right of citizenship by voting for the candidate and policy most in accord with their own views, is to run the risk of forfeiting their posts and jeopardizing their livelihood.'

The autocratic Prussian state has kept its employees from resorting to political action; but this result has been accomplished at the sacrifice of their political freedom. They do not dictate to the government; but the government does dictate to them. It cannot

be said that government ownership has no political effects in Prussia: it strengthens the government and makes a political nullity of the employees.

Let us cross into France. Here the state is half-democracy, half-bureaucracy. The government owns two of the seven large systems of railroads, the telegraph and the telephone, and has monopolies of the tobacco, match, and other industries. According to the estimate put forward by Mr. William Morton Fullerton, in his book, *Problems of Power*, 900,000, or eleven per cent, of the 8,000,000 voters are employees of the state. The results are graphically described by Mr. Fullerton. The state employees are allowed to form unions; and the civil servants have been rapidly grouped into organizations designed to get from the state everything that they can. 'At present there are in France at least 488 professional associations of state employees in the big central government offices, and 202 unions representing the state employees in the match factories, the tobacco factories, the mint, the state railways, and so forth. These various unions are united in a general federation, and it is this colossal new force, which has been encouraged by the state, that was suddenly brought to the notice of the public by the postmen's strike of March, 1909.'

Appointments to desirable positions in the service are used to further the political ambitions of members of the Corps Législatif. As Clement Colson, the leading authority on French railway affairs, has shown, when the government in 1908 took over the Western Railway, it turned out the experienced officials to make places for politicians. Political influence being paramount, members of the Chambers are constantly besieged for appointments; and, as Mr. Fullerton says, 'the deputy is tempted to become a traveling salesman of political or social favors and jimcracks, in return for votes or local influence,' while 'government in France is the tyrannical monopoly of a minority,' — the ruling minority being the employees of the state.

Both reason and experience indicate the impossibility of any government's taking into its service a large part of the voters without serious political results. A government may succeed in adopting and enforcing rules strictly circumscribing the political activities of its employees. But to do that it must be so strong, or must be made so strong, that the political liberties, not only of its employees, but of the great mass of the citizens, will be repressed or destroyed. In most countries, including the United States, the government is much more likely, if it takes into its service a large part of the voters, to prove unable to restrain them from resorting to political action. Then the employees become the masters, not the servants, of the public, establishing, as in France, 'a tyrannical government of the majority by the minority.' Once let from two to four million voters be brought into the service of our government, and able and unscrupulous men will be able to use them to build a political machine which will dominate the nation.

VI

The fundamental trouble with government ownership is that it reverses a tendency which has marked the progress of modern civilization and has contributed greatly toward promoting it — the tendency toward differentiation of political and economic functions. Under the patriarchal system all political, social and economic functions were concentrated in the patriarch. He was the head of the family, captain of industry, military commander, chief priest, king. Even under

feudalism varied and numerous functions and powers were united in the baron. His economic power, and his military and political authority, were coextensive. His retainers were forced to fight for him in order to keep their right to exact a living from the soil; they had to cultivate his land to secure from him protection from the attacks of others and to obtain justice in his court; and it was from these conditions that the evils of the feudal system chiefly arose. The king was, politically and economically, merely a greater feudal baron. From the Middle Ages to the present time the differentiation of these various functions, while often retarded, has never ceased.

Most important of all, perhaps, has been the segregation of the political function of ruling from the economic function of directing industry. The doctrine of *laissez-faire*, so ardently preached a century ago, was little more than the doctrine that the function of ruling — that is to say of maintaining peace and order — and the function of managing industry should be kept separate, and especially that the former should not needlessly interfere with the latter.

Doubtless for a time *laissez-faire* was carried too far in both theory and practice. But it is notable that it was during this time that the greatest impetus was given to the development of political freedom, on the one hand, and of industry, on the other.

Government ownership is a movement backward because it would reconsolidate political and economic functions. There must be some sovereign power. This power must be the political power. And by appropriate means and tribunals the political power should so control the management of industry as to prevent and correct abuses not prevented or corrected by economic law. But it does not follow that the sovereign political power should itself assume the exercise of gigantic economic functions.

The modern industrial system has sometimes been likened to the feudal system, because great captains of industry have sometimes used their money and the votes it has enabled them to command, to dominate and corrupt the politics of cities, states, and the nation. When this condition has existed, however, the real vice in it, as under the feudal system, has consisted in the union of political and economic power in the same hands. Those possessing the two kinds of power have been able to use their economic power to attain their political ends, and their political power to attain their economic ends; and both politics and legitimate business have suffered.

Public ownership often is advocated as the only effective means of destroying the corrupting alliance of big business and politics. But already the two great movements for the purification of politics and for the regulation of concerns of a monopolistic or quasi-monopolistic character have practically dissolved this alliance, and are raising the tone of politics and reducing the abuses in business. A continuance of efforts to purify politics and improve government, and to use the power of government to destroy and prevent economic and social evils, while avoiding placing unnecessary restrictions and burdens on the exercise of private initiative and enterprise, will have beneficial effects on both politics and business. On the other hand, the adoption of an extensive policy of government ownership would once more combine great political power and great economic power in the same hands.

In the recent past this power has been combined in the hands of leaders of industry; under government owner-

ship it would be combined in the hands of leaders of politics. For government management, like business management, is always more a thing of men than of machinery. Men always have their leaders and bosses, whether in war, or business, or politics; and it is the leaders of politics, whether statesmen or bosses, who really manage the government and who under public ownership would control the management of elections, on the one hand, and of government industries, on the other. They would then exercise a total power incomparably greater than was ever exercised by any body of men in this country. They would have the same political power of the ordinary kind that the leaders of the party dominant in the government have now. The power to determine what rates and prices should be charged by concerns earning billions of dollars annually would be a great power; and they would have it. The power to make contracts for expenditures that amount to billions annually would be a great power; and they would have it. The power to determine whether millions of men should be allowed to keep their jobs would be a great power; and they would have it. The power largely to determine how millions of men would vote, and thereby what men should keep or lose public office, would be a great power; and they would have it. And these would be powers which, once acquired, might be transferred from one group of political leaders to another, but which could never be dissolved into their elements without abolishing government ownership itself; and to abolish it would be much more difficult than to adopt it.

Big business never controlled anywhere near as many voters as it is proposed to take into the government service; yet big business has managed at times to control the politics of cities, of states, and of the nation. In politics, as in war, a small, relatively well-organized, well-disciplined force is more powerful than a far larger body, if untrained and undisciplined.

If all the aspects of government ownership be considered, the conclusion must be reached that its extensive adoption would be destructive of both the economic and the political welfare of the people of the United States. The people would find that they had created an economic and political Frankenstein which would not only be able to undermine their material well-being and destroy their free political institutions, but which would be irresistibly impelled by its very nature to accomplish this work of ruin.